

Comments on Chapter 7 of the 2001 U.S. Climate Action Report

General Comments

In *Chapter 7: Financial Resources and Transfer of Technology* the United States takes credit for spending more than \$15 billion in the years 1997 to 2000 on overseas climate change mitigation and adaptation projects. This seems like a highly inflated figure, but it is not possible to say with certainty what part of the claim is legitimate without doing substantial outside research. The chapter itself gives precious little information as to how the money was actually spent, by whom, and for what purposes. Tables and figures give some broad insight, and raise some troubling questions, but don't tie issues together in a way that allows the reader to track financial flows from the provider to the recipient. The report should list all the projects for which the U.S. is claiming credit, along with a brief description of each project and the amount of money it represents.

The largest category of activity (\$10.5 billion) is "water supply," which is listed as a capacity building activity. Only a few examples are given, mostly construction and rehabilitation of water treatment facilities. Quite frankly, it is hard to believe that climate change concerns played any part in the decision to implement and fund these projects. If they did, we would like to see evidence of that fact. The report should state explicitly, for each project, how it relates to climate change mitigation or adaptation and how climate change factored into the decision to implement the project.

The report also should provide more information on the different types of financial flows included. Figure 2 lists six categories, but the report gives only minimal descriptions of them. The largest category, "commercial sales," is not described at all (as far as we can see), despite the fact that it accounts for more than two-thirds of total financial flows.

The name seems to suggest that it represents the sale, on commercial terms, of technology by private U.S. firms to entities overseas. If this description is correct, we think the characterization of this category, as "direct funding to climate-related activities," is inappropriate and misleading. It should either be treated as a separate category, unrelated to U.S. funding efforts, or excluded altogether. More generally, the report needs to clearly describe the different types of financial flows included. *For each project or activity*, it needs to distinguish between government and private sector contributions and specify whether funding was in the form of a grant, loan, guarantee or other. If a loan, it should state whether terms were commercial or concessional, and give the value of the concession in dollars.

Specific Comments

OPIC and Ex-Im Bank

The report states that, since 1997, Ex-Im has provided approximately \$509 million in global climate change-related project loans, guarantees, and insurance to developing and transition countries. No figure is given for OPIC. This gives a very one-sided view of

how these institutions have contributed to the problem of climate change and/or its solution. Together, these two agencies have financed over 60 times as much (\$28 billion) in fossil fuels since 1992 as they have in renewables (\$460 million). Until last year, OPIC had not funded a single renewable energy project. (Last year OPIC completed at least two solar deals, a solar ovens project in Uganda and a deal with the Solar Electric Light Company in Sri Lanka.) According to a study by the Institute for Policy Studies, Friends of the Earth and International Trade Information Service, between 1992 and 1998 OPIC and Ex-Im together approved fossil fuel extraction and consumption projects that, if fully implemented, will result in emissions of 8 Gt of carbon over their lifetimes. This means that the U.S. is both the number one greenhouse gas emitter and the number one financier of fossil fuel development.

Financial Contributions to the GEF

This section provides figures for U.S. contribution to the GEF for 1997-2000. It should also state that the U.S. is substantially in arrears (by about \$200 million). While this may be unpleasant information for the U.S. to provide, it is important to give the reader a complete and accurate picture of U.S. support to the GEF. If the U.S. is planning on paying its arrears, the report should say so.

Aggregated U.S. Government Funding for Multilateral Institutions

The next decade or two are critical ones in determining the energy resources that will be used by over one-half of the world's population, those who live in developing countries. The U.S. government is the largest government investor, multilaterally and bilaterally, in the energy sector and energy infrastructure of countries around the world. For example, the U.S. is the largest shareholder in the World Bank and the European Bank for Reconstruction and Development (EBRD). These two MDBs, like the others, are heavily invested in fossil fuels. U.S. taxpayer investments could help shape a clean energy future for the planet. However, the U.S. government, through its funding of international financial institutions, is doing the exact opposite. The reader should be made aware that the nominal amounts being spent by these institutions on clean energy is swamped by their contribution to global consumption of fossil fuels

The report states that, in the period 1997-2000, the U.S. provided over \$4.46 billion to multilateral institutions. It does not state how much of this went to climate change-related funding, or how much of it contributed to *increases in* greenhouse gas emissions. In fact, The World Bank has invested 25 times as much in fossil fuel projects (over \$20 billion) as it has in renewables and energy efficiency (\$900 million) since 1992. While the World Bank ensured that 40,000 megawatts of power generated by dirty fossil fuels came online since 1992, the total solar power being generated worldwide (most without World Bank backing) comes to roughly 300 megawatts. World Bank fossil fuel projects financed since 1992 will release over their lifetimes CO₂ emissions that are equivalent to almost two years' worth of global emissions. Over 76% of the World Bank's energy and power sector lending is devoted to projects that support fossil fuels. And its export credit agencies which are, combined, the largest in the world, show a similar preference for

fossil fuels. The report should give a balanced picture of climate change-related funding by multilateral institutions. To do so, it must give the reader the other half of the picture—the extent to which such funding contributes to climate change rather than its solution.

Summary of Financial Flow Information

This section begins with the following statement: “From 1997 to 2000, the U.S. provided more than \$15 billion in direct funding to climate-related activities in other countries....” More than two-thirds of this amount (nearly \$11 billion), is attributable to commercial sales, which, in our view, is not “direct funding” provided by the U.S. The category of commercial sales needs to be treated separately, so as not to mislead the reader. As noted above, more detail needs to be provided generally on the funding types included in the report. Amounts that were provided through government grants and loans need to be distinguished from private sector funding, especially funding provided on commercial terms. The concessional component of loans should also be identified.

Mitigation Activities

The report states that the U.S. spent \$2.4 billion on climate change mitigation overall, but fails to say what contribution came from each funding type (see previous comment). The report also needs to provide more detail on the types of activities funded, including the name and type of each project or activity and the type and amount of financing involved for each. For mitigation projects, the anticipated reduction in GHG emissions should also be specified for each project.

Energy is central to the climate change problem, both its causes and solutions. Thus, if the U.S. is to claim spending of \$1.9 billion for the period 1997-2000, it should be more explicit as to how this money was spent and what the sources were. It appears from an earlier statement (p. 19, para. 4) that most energy funding was in the form of loans. It is important to note how much was provided by the government and how much by the private sector. How much of the total was made up of commercial loans, and how much was concessional? The amount provided in grants, either through ODA or OA, should also be specified. Loans, particularly on commercial terms, probably should not be characterized as “spending.”

The report should say how much GHG emissions reduction was achieved overall through U.S. funded activity. Taxpayers have a right to know how much they are paying for GHG reductions *on a per ton basis*. A quick calculation shows that, if the tons identified were all that was achieved or anticipated, the U.S. would have spent over \$1,000/ton (assuming a 20 year lifetime for the Mexico Steam and Combustion Efficiency Pilot Project)!

The report should also indicate the amounts spent by U.S. agencies and the private sector on activities that *increase* greenhouse gas emissions overseas. Clearly, this funding swamps the amounts that are spent on mitigation. This is important information, and

should be provided to give a balanced picture of how U.S. investment overseas is affecting the problem of climate change.

Adaptation Activities

This section is the most difficult to understand. Although it claims huge sums have been spent by the U.S. (more than \$12 billion from 1997 to 2000), it gives almost no supporting facts. What were the activities? How much was spent on each? How do they link to climate change, and how do they promote capacity building? It seems clear that the activities themselves were in most cases not intended as climate adaptation projects. Rather, they may appear to fit the reporting guidelines, as an afterthought. We question the appropriateness of reporting activities that were not intended to provide climate benefits as climate change projects. Specifically, the report should explain how financing water treatment facilities, which appears to be the largest category of spending, contributes to adaptation and capacity building, as the report claims. Similar information should be provided for any disaster relief money spent in the wake of Hurricane Mitch and other major climate events. We are not disputing that these activities may have links to climate change; we are merely requesting more information on what the activities were, how they were funded, and what the climate justification is.